Income Tax - Individual Development Account Contribution Credit

What is the Individual Development Account Contribution Credit?

During tax years January 1, 2001 but prior to January 1, 2006 during which the state's fiscal year ended with a qualified surplus an income tax credit was available to taxpayers that made monetary contributions to the individual development account (IDA) program in Colorado. The credit was equal to 25 percent of the amount of the contribution.

The IDA program was established to provide low-income individuals with a mechanism to receive matching funds for the following purposes:

- 1) Securing post-secondary education for the individual or their dependent,
- 2) Securing post-secondary occupational training for the individual or their dependent
- 3) Purchasing a home for the time, or
- 4) Business capitalization

All participants received economic literacy training that helped them improve their credit, establish a budget and savings schedule as well as manage their money over the long term.

The maximum amount for claiming the credit was \$100,000. The credit could not be claimed if the donation was designated for the benefit of an individual who had a financial relationship to the donor, or had a familial relationship to the donor.

Businesses and corporations were not eligible to donate to an IDA program for the benefit of certain employees. The valuation of the contributions were required to be consistent with the fair market value requirements of the IRC for donated stocks and bonds.

IMPORTANT: The Individual Development Account Contribution Credit was not available for tax years 2002 through 2005. The state did not have a sufficient budget surplus for these years. The IDA Contribution Credit is no longer available.